

VZCZCXRO6588
PP RUEHFK RUEHGH RUEHKSO RUEHNH
DE RUEHKO #0711/01 0770830
ZNY CCCCC ZZH
P 170830Z MAR 08
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 2608
INFO RUEHGB/AMEMBASSY BAGHDAD PRIORITY 0289
RUEHBJ/AMEMBASSY BEIJING PRIORITY 2245
RUEHMK/AMEMBASSY MANAMA PRIORITY 0178
RUEHFR/AMEMBASSY PARIS PRIORITY 6014
RUEHFK/AMCONSUL FUKUOKA PRIORITY 6677
RUEHNH/AMCONSUL NAHA PRIORITY 9069
RUEHOK/AMCONSUL OSAKA KOBE PRIORITY 0350
RUEHKSO/AMCONSUL SAPPORO PRIORITY 7281
RUEHGH/AMCONSUL SHANGHAI PRIORITY 0358
RHEHAAA/NSC WASHDC PRIORITY
RUEHBS/USEU BRUSSELS PRIORITY
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RUCNDT/USMISSION USUN NEW YORK PRIORITY 8863
RUEATRS/TREASURY DEPT WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 000711

SIPDIS

SIPDIS

STATE FOR ISN/RA, ISN/CPI, AND EEB
PARIS FOR USOECD
COMMERCE FOR 6731 ELENTZ
TREASURY FOR AMIT SHARMA

E.O. 12958: DECL: 03/17/2018

TAGS: [EFIN](#) [ENRG](#) [ETTC](#) [JA](#) [PREL](#) [IR](#)

SUBJECT: NO NEW GOJ MEDIUM- OR LONG-TERM LOAN GUARANTEES
FOR TRADE WITH IRAN

REF: A. 07 TOKYO 1346

[1](#)B. 07 TOKYO 603

[1](#)C. 07 TOKYO 968

[1](#)D. 07 STATE 38533

Classified By: Ambassador J. Thomas Schieffer. Reasons 1.4 (b/d)

[1](#)1. (C) Summary. Japan has not issued any new medium- or long-term loan guarantees for trade with Iraq for the last two years, Ministry of Economy, Trade and Industry (METI) and Nippon Export and Investment Insurance (NEXI) officials stated during meetings with econoff March 12 and 13. Any uptick in the medium- and long-term loan guarantee numbers reported to the OECD is likely due to currency fluctuations, shipment delays, or changes in OECD reporting criteria regarding short-term export credits, they said. Officials stress Japan is in full compliance with the relevant UN Security Council Resolutions on Iran. End Summary.

[1](#)2. (C) Japan has not issued any new medium- or long-term loan guarantees for trade with Iran for the last two years, METI Trade Insurance Division Director Michihiro Kishimoto told econoff March 12. Japan adheres strictly to each of the relevant UNSC Resolutions on Iran, he emphasized. Any increase in the loan guarantee numbers reported to the OECD are either due to appreciation of the yen against the dollar or monies previously committed but which had not been disbursed because of delays in shipments of products to Iran.

[1](#)3. (SBU) Note: Prior to 2007, Japan's primary trade insurance organizations, NEXI and the Japan Bank for International Cooperation (JBIC), issued guarantees in one lump sum based on the total value of the contract between the Japanese and Iranian trading entities. The total value of the guarantee would be recorded with the first shipment of goods, regardless of how many subsequent shipments were required to complete the contract. As of 2007, however, NEXI and JBIC began assigning loan guarantees based on the estimated value of each individual shipment. Consequently,

if a contract was concluded some years ago but the goods were only shipped for the first time during the most recent OECD reporting timeframe, then the loan guarantees for the value of that shipment would now appear during the period in which they occurred. According to Kishimoto, this change could have resulted in an apparent increase in the medium- and long-term credit insurance numbers reported to the OECD. End Note.

¶4. (C) Kishimoto stated NEXI continues to issue short-term credit insurance for firms trading in consumer goods with Iran. He cited steel pipe, automobile parts, and textiles as examples. Kishimoto noted, however, that in March 2007, NEXI reduced from twelve months to six months the maximum repayment term for all routine short-term export credits, thus tightening the conditions for sales to Iran (ref A).

¶5. (C) NEXI Trade Finance Insurance Department Executive Director Tsutomu Murasaki confirmed to econoff on March 13 NEXI has not issued any new medium- and long-term loan guarantees to Iran in the past two years. He too noted NEXI has reduced the repayment period and said NEXI has increased its scrutiny of short-term guarantees. Murasaki explained that up until 2003 NEXI "automatically" approved limited underwriting for deals up to JPY 50 billion (USD \$480 million). Now, the organization examines every application for deals involving single transactions over JPY 1 billion (USD \$9.6 million), he said.

¶6. (SBU) NEXI Oil and Gas Planning and Coordination Team Vice President Ichiro Asahina stated the OECD data on Japanese trade loan guarantees to Iran econoff provided was mistaken.

TOKYO 00000711 002 OF 002

The proper sequence for the NEXI loans should be (figures in USD millions):

Reporting Period	Guarantee Type	Amount
12/31/2006	Short Term	820.6
	(2 years or less)	
	Long Term	1,235.3
	(over 2 years)	
6/30/2007	Short Term	409.4
	(1 year or less)	
	Long Term	1,569.0
	(over 1 year)	
9/30/2007	Short Term	496.8
	(1 year or less)	
	Long Term	1,631.1
	(over 1 year)	

¶7. (C) Asahina stated more research would be needed to give a precise answer as to why the long-term guarantees appear to have increased. He suggested two reasons. First, appreciation of the yen has raised the dollar value of the yen-denominated guarantees. The yen-dollar rate during the 6/30/2007 reporting period was JPY 123 versus JPY 115 during the 9/30/2007 period. Asahina said, on a yen basis, medium- and long-term loan guarantees had decreased over the timeframe. Second, between 12/31/2006 and 6/30/2007, the OECD changed its reporting criteria for export credits, reducing the stipulated repayment period from two years to one year for guarantees to be considered "short-term." This change, he said, had artificially caused the medium- and long-term numbers reported to the OECD to balloon between the two time periods.

¶8. (C) Both Murasaki and Asahina continually stressed NEXI is in full compliance with the Security Council resolutions. NEXI is very cautious in any dealings with Iran, they said.

¶9. (C) Comment. The METI and NEXI officials repeatedly emphasized Japan's policy of complete adherence to the international community's position on Iran and the relevant Security Council resolutions. The officials also stated unequivocally the GOJ has no plans to issue any additional

export credits to Iran any time in the foreseeable future.
It is impossible to know, however, the value of guarantee
commitments on contracts made prior to the first UNSC
Resolution under which goods have yet to be shipped and
which, under Japan's new accounting rules, may continue to
appear in Japanese reports to the OECD on export credits to
Iran. End Comment.
SCHIEFFER